



Southern Metropolitan
Cemeteries NSW

Annual Report 2021

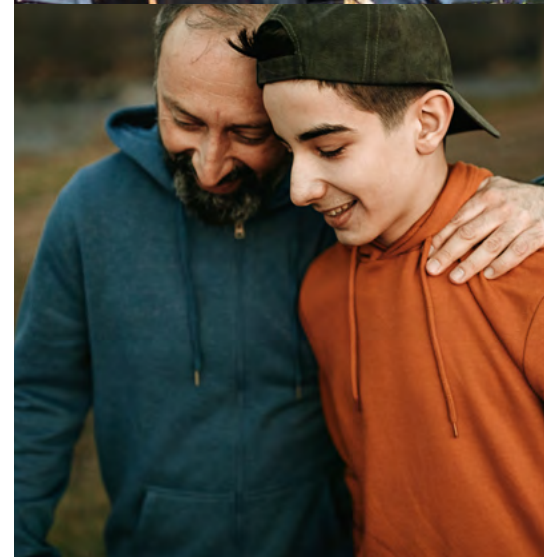


Acknowledgement of Country

Southern Metropolitan Cemeteries NSW acknowledges the traditional custodians of the land, and pays respect to elders past, present and emerging.

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Lee Shearer
ADMINISTRATOR

Welcome

On the 28 May, 2021, the Government appointed myself as administrator to take on the functions of the boards of Northern Metropolitan Cemeteries Land Manager, Southern Metropolitan Cemeteries Land Manager, Rookwood Necropolis Land Manager and Rookwood General Cemeteries Reserve Land Manager.

My appointment follows completion of the Statutory Review and acceptance of the recommendations made in the *11th Hour* report. These recommendations are designed to ensure that NSW families and communities have equitable access to affordable burials and that we have a sustainable sector for generations to come. While many of the report’s recommendations are focused on the entire industry, at this time the focus of my work will be on implementation of the recommendations as they apply to four NSW Crown Land cemetery operators.

Since my appointment I have been working with the various cemeteries under my remit to ensure we continue to deliver our services to our multi-faith stakeholders while commencing a smooth transition to a consolidated Crown Land Manager.

On behalf of the Minister and myself, I would like to thank the former Boards of Management of the existing cemeteries for their dedication in managing the land managers over many years and for their valued contribution to this essential sector for our communities.

The Crown maintaining a presence in this sector is paramount to ensuring members of our communities have affordable choices of interment into the future. While currently the majority of end-of-life interment choice is around cremation, bodily earth interment remains an essential practice for some religious faiths and cultures. It also remains a clear choice which is exercised by some citizens who are not considered as active participants in a religious organisation or have strong cultural beliefs.

Since May the work to set up the new entity and to begin the process of consolidating resources has been supported by a highly skilled project team. As we commence actual consolidation work, we welcome to our team interim CEO Nick Roberts. Nick brings extensive experience in establishing Government Corporate entities, based on his long experience with the Forestry Corporation of NSW.

The important work of the team has been supported by an independent Audit Risk and Finance Committee, chaired by



Ms Katherine O’Regan, with Ms Melinda Snowden and Ms Robyn Scott as members.

Equally, I would like to take this opportunity to thank the members of the Community Advisory Committee and Heritage Advisory Committee for their ongoing support and dedication to this important sector.

Work will continue over the remainder of the financial year to establish OneCrown as a Crown Land Manager. It is expected that a skills-based Board will be appointed by the Minister during 2022. Existing operational staff will be transitioned into the new organisation once it is established. I would like to acknowledge the extraordinary work of our staff within our various Crown Cemeteries. As an essential workforce they have ensured the continuity of operations through this challenging year. Every care is being taken to ensure that services to the public are maintained within the parameters of the

Public Health Orders. Each site continues to deliver optimum customer service within those constraints. The extended lockdown and Public Health Order provisions associated with the Government’s Covid-19 pandemic response have resulted in restricted access and attendance at services at our sites. However, staff have maintained services to the best of their ability. We all look forward to the easing of restrictions in the future.

While Covid-19 restrictions have delayed some aspects of the amalgamation, we have remained committed to our vision and commitments.

I look forward to bringing to fruition the establishment of OneCrown in the coming year.

A handwritten signature in dark ink, appearing to read 'Lee Shearer'.

Lee Shearer

Joanne Muller

CHAIR

The 2020/21 year has been a momentous one for Southern Metropolitan Cemeteries NSW (SMCNSW). With our Board reduced to a three-person governance unit, and then a two-person unit, I have relied extensively on the tremendous dedication and expertise of my fellow Board and Committee members to continue to steer the organisation to great success.

I would like to thank Maria Cosmidis and Clare Donnellan for their dedication as non-executive directors and committee members. Their dedication went well above and beyond the usual call of duty. Their contributions were exceptional and demonstrated sure and true service to the community.

As planned, SMCNSW returned to profit this year and has now completed a 100% refresh of all our IT and operating systems. These new platforms did not come without some expenditure, however, they have enabled us to drive significant efficiency across the business. I note that this profit was enhanced by a revaluation of the business assets initiated in June 2021, which added more than \$19m to our net worth. We have also restructured the delivery of our customer service teams, significantly improving our sales and customer service. Sales revenue for the organisation has grown by more than 16% in the past year, adding to future sustainability.

The Board spearheaded a major refresh of the Capital Works program for the organisation and before its dissolution approved the complete refurbishment of our historic and beautiful chapels. I look forward to seeing them restored to their former glory by early in 2022. The work has been planned as a thorough refurbishment that will provide undisrupted services for many decades.

We have also executed the main objectives and actions in our strategic plan. On 28 May, 2021, the SMCNSW Board was stood down with four days' notice, well prior to the end of the terms of original appointment. At this time the Administrator of OneCrown assumed control. I am pleased to say that as at 28 May, 2021, SMCNSW was a thriving business. There was a strong and growing investment portfolio benefiting from a refreshed investment policy. The planned return to successful profit-making

operations had come to fruition and an extensive stock-development plan in place to ensure the organisation is able to provide burial and ash interment locations at both sites for several decades to come. Although not articulated in the published report, this is the position that was communicated by the Board to the external reviewers of the Crown cemetery sector. Money had to be spent by SMCNSW to bring about reforms. These reforms have now well and truly proven to produce increased efficiency and a profitable business model.

I would like to acknowledge the very dedicated staff of SMCNSW for all their efforts over the past few years. Since I was appointed Chair in 2018, the organisation has been transformed and the staff have continued to provide services to the communities of the Eastern Suburbs and Sutherland Shire with dedication and consideration, despite many changes to their work environment as we undertook necessary governance and operational reform. In particular, the Board expresses its deep gratitude to Dr Isabelle Meyer, who assumed the role of CEO in April 2020. To take over this role at the beginning of a pandemic would be a challenge but with the addition of the Board's ambitious work plan outlined, the challenge may have appeared impossible. However, Dr Meyer managed to deliver these reforms well beyond the Board's expectations and without any disruption to the essential services provided by SMCNSW.

This final message as the former Chair of SMCNSW must come with my sincere thanks to all the staff generally. I am tremendously proud of what they have achieved over the last three years, trusting that the Board was driving reformations in the right direction and working to support these initiatives. There was radical change at all levels of the organisation and each member of staff has played their role. Thank you is insufficient in the circumstances and a *Bravo!* more fitting.

As the organisation moves forward under the next phase of Government administrative reforms for the sector, I know that our staff will continue to provide the highest possible level of service to our communities and they have my best wishes in all future endeavours.


Joanne Muller

Dr Isabelle Meyer

CHIEF EXECUTIVE OFFICER

As I write this, there is a small boy on a bicycle outside my office window, having a break at the water fountain in the garden bed there, on his way to school. We have become waving acquaintances this year, as this is a regular stop for him. For this little boy and many other people, our parks are active and lively green areas as well as respectful resting places. Managing many needs on behalf of the community is not without challenges, especially regarding efficient and sustainable operation. We are always seeking ways to do better.

This is the final annual report for Southern Metropolitan Cemeteries NSW (SMCNSW) in its current formation. 2021-22 sees the organisation transitioning into a new entity. The Administrator has focused on the objectives of this transition, which are to improve efficiency, accessibility and sustainability – I would like here to focus on the people who will move forward into the new entity, who will continue to deliver funeral, burial, cremation and memorialisation products and services to the southern metropolitan areas of Sydney.

Our staff have been an active part of the journey to improve services and sustainability for some time now and will continue to do so as part of OneCrown. Their dedication to the communities who use our services and our parks is second to none. I wish to thank them all for that work.

SMCNSW has seen another year of significant change internally, with the final stages of the implementation of a new customer management database, finance and purchasing systems and a major project to digitise our historical records. While these sorts of implementations are never easy or problem free, the projects have been completed within budget and are already demonstrating value for money in terms of improved record-keeping and efficiency.

The organisation has also moved from a loss-making position to making an operating profit and a strong improvement in investment income. This has been the result of great collaboration on the part of our grounds and customer service/sales teams to create and sell places for both at needs and pre-needs

purchase. Given lockdowns, visiting and gathering constraints during the year, this has been a remarkable achievement. SMCNSW moves forward on a sound financial footing, with significant stock holdings for both burial and ash interments on hand and under development, and strong levels of reserves to assist in meeting its ongoing maintenance obligations.

This will be my last year at SMCNSW as CEO. It has been a privilege to work with such a dedicated team and to help set the agenda for what is to come. I have been supported by a strong executive team, who have worked at a cracking pace to transform our organisation into a vibrant, commercially successful service provider in a very short space of time. I can only imagine what they will go on to achieve in the future.

I believe our sector and our business stand at the cusp of major service reform that moves beyond the changes in administrative arrangements currently underway. SMCNSW has established itself as a thought leader in responding to community feedback on sustainable funeral and cemetery practices, land use, community access and planning for the future. We continue to see growth in the use of cremation services and increasing demand for a variety of burial and memorialisation products and have responded already, with around 70% of our business now focused on cremations and memorialisation.

The people of SMCNSW bring a vibrant, empathetic, innovative and considered approach to providing sustainable cemetery and cremations services that they will carry forward into OneCrown. For my young friend at the water fountain, they are ensuring our memorial parks will also continue to be community spaces long into the future.



Dr Isabelle Meyer

BOARD MEMBERS & SENIOR MANAGERS



Board Members FY 2021

Joanne Muller BSc DipED LLB GAICD
Board member (to May 2021)

Maria Cosmidis BA BSW MM
Board member (to May 2021)

Clare Donnellan BBS, FCCA, GradDipPsych
Interim Board Member
(term expired 16 October 2020 and
reappointed February to May 2021)

Lee Shearer
Administrator OneCrown
(appointed 28 May 2021)

Senior Management

Dr Isabelle Meyer BA Hons, MA, PHD, MAICD
Chief Executive Officer

Rachael Kennedy ACA, GAICD, GIA
Chief Financial Officer

Jennifer Potter
Director of Marketing and Growth

Sally Dillon MAHRI
Director of People and Culture

Rob Smart
Chief Operations Officer

**Eddie Swat EBSc Arch USyd BArch UTS MPlan
UTS MPIA**
Senior Manager, Capital Works

David Cargill
IT Systems Director (appointed 31 May 2021)

Statutory Meetings for FY 2021

Board Meeting	5/08 2020	11/08 2020	25/08 2020	7/10 2020	19/10 2020	9/12 2020	17/02 2021	21/04 2021	27/05 2021	15/06 2021
Joanne Muller (Board Chair, service concluded on 28 May 2021)	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Maria Cosmidis (Board Member, service concluded on 28 May 2021)	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Clare Donnellan (Interim Board Member, term expired 16 October 2020 and reappointed February to May 2021)	✓	✓	✓	✓	N/A	N/A	✓	✓	x	N/A
Lee Shearer (Administrator OneCrown, appointed 28 May 2021)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓

Finance Committee Meetings	5/08/20	11/08/20	7/10/20	9/12/20	17/02/21	7/04/21
Clare Donnellan (Chair, appointed on 30 June 2020; service concluded October 2020)	✓	✓	✓	N/A	✓	✓
Joanne Muller (Chair, appointed 17 February 2021)	✓	✓	✓	✓	✓	✓
Maria Cosmidis	✓	✓	✓	✓	✓	✓

Audit, Governance & Risk Committee Meetings	5/08/20	11/08/20	7/10/20	9/12/20	17/02/21	7/04/21
Maria Cosmidis (Chair)	✓	✓	✓	✓	✓	✓
Joanne Muller	✓	✓	✓	✓	✓	✓
Clare Donnellan	✓	✓	✓	N/A	✓	✓

Community Committee Meetings	22/07/20	23/09/20	25/11/20	3/02/21	7/04/21
Maria Cosmidis (Chair)	✓	✓	✓	✓	✓
Joanne Muller	✓	✓	✓	✓	✓
Clare Donnellan	✓	x	x	x	x

David Cargill
IT SYSTEMS DIRECTOR

The transformation program continues to enhance the organisation’s IT infrastructure and framework, allowing greater efficiencies and opportunities across all platforms.

We have entered phase 2 of the transformation program, with staff across the organisation enjoying further efficiencies in their ability to provide service to customers, work collaboratively within and outside of their teams and generate workflow with reporting functionality.

While Covid-19 has contributed to timing constraints on the delivery of some projects, final testing has been conducted on launches of new programs such as the funeral director portal and integrated voice response systems, and these will be rolled out in the early stages of 2021/22.

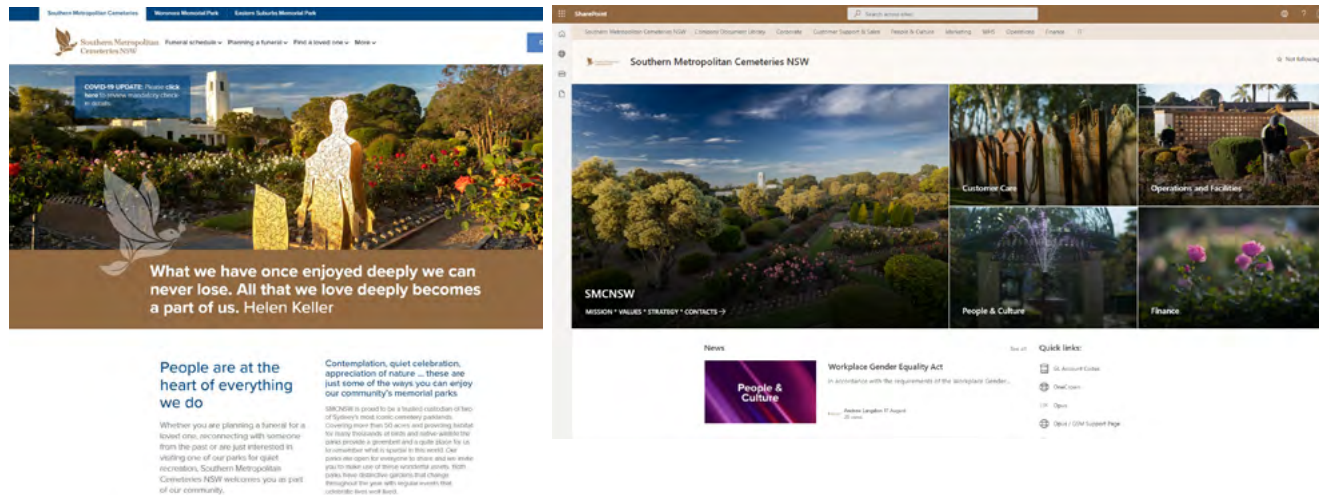
Projects delivered to date:

Sage 300
Implementation of the new Financial Management System, Sage 300 with Norming Self Service Portal, has further brought our systems and technology up to date. Together they have provided strong technology tools for more insightful and efficient financial management.

Opus Cemetery Management System (CMS)
The full implementation of the cloud-based Cemetery Management System has provided comprehensive capture and insightful reporting of cemetery information. Features which are now further leveraged for the community include mapping, historical document management and easy online searching for locating a final resting place or memorial site.

Website
The new website has been launched, providing an online means to reach out to communities across both our sites, Eastern Suburbs Memorial Park (ESMP) and Woronora Memorial Park (WMP). It provides up-to-date funeral service details, numerous product offerings and various communication channels to enable greater connection with our community.

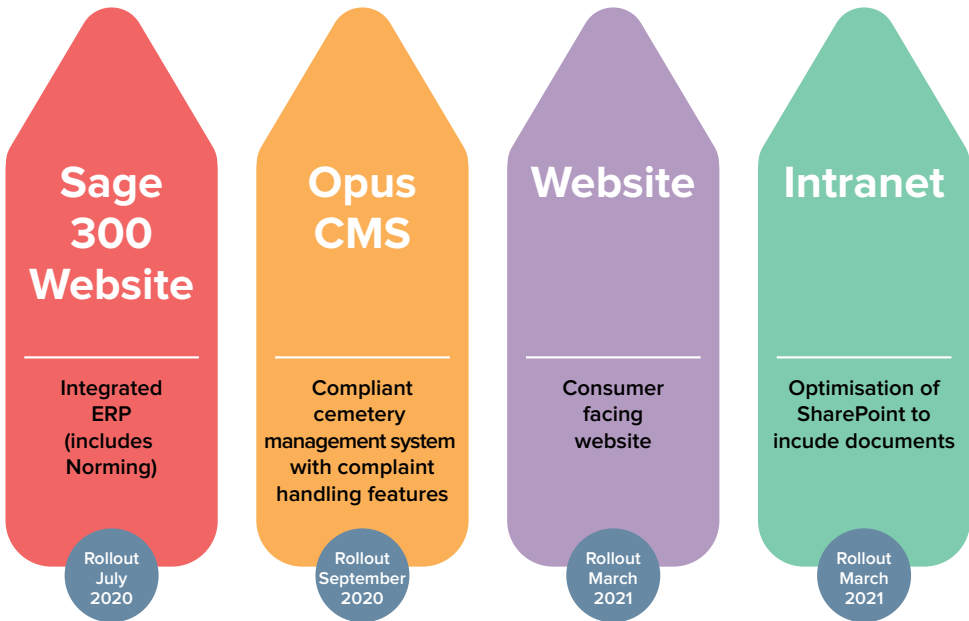
Intranet
The deployment of Southern Metropolitan Cemeteries NSW’s (SMCNSW) intranet has provided an easy-to-access portal, enabling staff to efficiently access internal systems and core organisational and departmental information and documents.



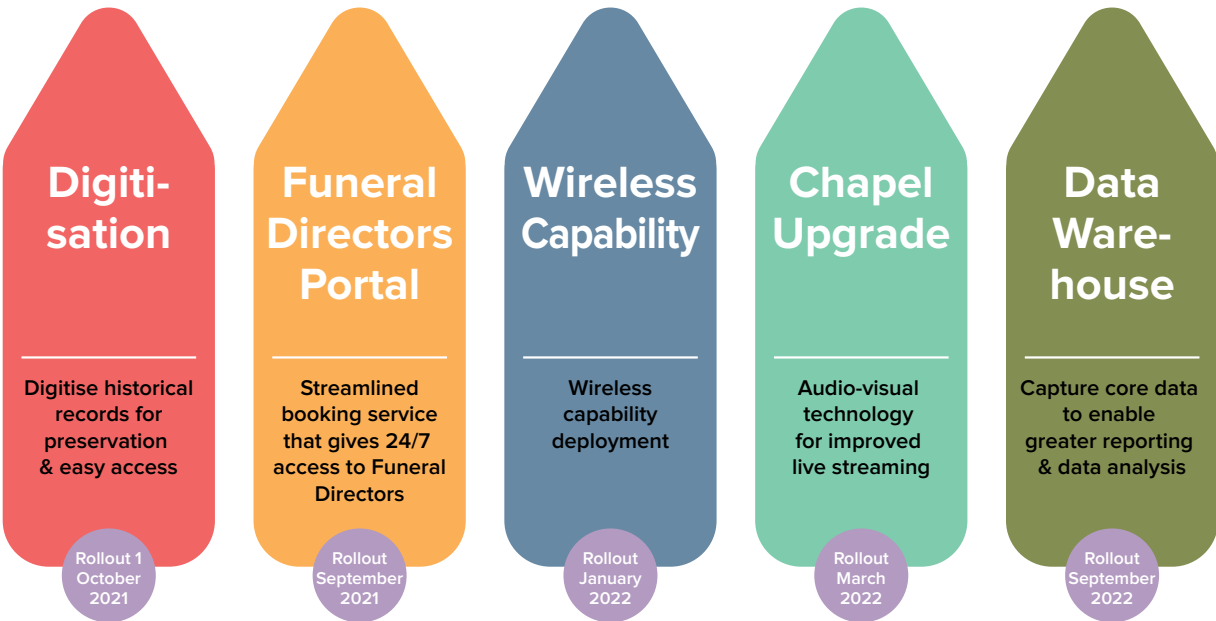
Website

Intranet

Projects Delivered to Date



Strategic Projects for the Future



SMCNSW continued to enhance the quality and availability of organisational data via a series of ongoing IT projects. Additionally, the recent announcement of the OneCrown amalgamation brings exciting possibilities for IT synergies in IT infrastructure and applications.

We look forward to contributing to the future OneCrown IT vision.

Strategic Projects for the Future



Digitisation

The value of historical records is well recognised by SMCNSW. We are progressively digitising records to enable their preservation and easy access. Digitised records are retained in the SMCNSW Cemetery Management System then available for lookup as needed. Digitised subject matter includes land books, deed books, receipt books, reservations, permits, memorial papers and burial papers.



Funeral Directors Portal

An online portal for funeral directors will allow 24/7 access, streamlining the booking process and providing real-time knowledge of completed bookings for customer support staff.



Wireless Capability

SMCNSW is committed to growing its engagement with the community. As such we have commenced reviewing the option to provide wireless connectivity throughout the ESMP and WMP. Such connectivity will provide internet access for way-finding at various locations on the sites. It is intended to enhance people's memorial experience utilising unobtrusive and supportive technology.



Chapel Upgrade

SMCNSW recognises the need to upgrade the heritage Art Deco chapels at both ESMP and WMP. A component part of this is the renewal of audio-visual technology. This technology will be improved to undergird live-streaming which has become an integral component of chapel services, particularly since the outbreak of Covid-19. It further enables clear communication with families both on- and offsite.



Data Warehouse

As part of SMCNSW's unfolding change program, IT has commenced establishing a data warehouse. This is planned to capture core SMCNSW data enabling a platform for greater reporting and data analysis. It is intended to provide historical insights in order to better meet current and future community service requirements.



OneCrown

The OneCrown amalgamation of three Crown Land Managers provides an exciting time for IT change and consolidation. The IT strategy, applications, infrastructure and software tools are being comprehensively reviewed in 2021. SMCNSW continues to contribute to the review and planning for the new IT environment.

OPERATIONS, PROJECTS, FACILITIES AND ASSETS

Rob Smart

CHIEF OPERATIONS OFFICER

Operations, Projects, Facilities and Assets is a broad and integral part of Southern Metropolitan Cemeteries NSW (SMCNSW). We include 70 employees across Eastern Suburbs Memorial Park (ESMP) and Woronora Memorial Park (WMP), who through their individual roles are each dedicated to providing the best possible experience for visitors to our sites during the most difficult times of their lives. These individuals are an amazing team who get the job done and 2020/2021 has been a time for action and achievement.

It would be easy to focus on the challenges of the Covid-19 pandemic over the past year with weekly, if not daily, changes to health regulations, segregation of staff and sites, management of the public and compliance as the Land Manager with great uncertainty during these times for staff and their families. Yet our team has been at work every day, providing the valuable service of burials, cremations, and maintenance of grounds and facilities. They have been delivering projects, been part of new systems being implemented, undertaken substantial section development for ash- and burial-product creation, strengthened the tree, monument and pathway safety programs, and participated in the staff recognition program all while maintaining a high safety focus. There are members of the team who have been actively involved in the development of

the Conservation Management Plans and were part of the newly formed Heritage Advisory Committee. They have shown a creditable team effort focused on the customer, the community, and the long-term management of the Cemeteries and Crematoria and the daily work we do.

Capital Projects

Chapel Refurbishment

This exciting project will see the 1930s-constructed Art Deco chapels at ESMP and WMP refurbished and renovated. Thorough investigations through an Early Contractor Involvement (ECI) contract have been carried out in relation to heritage, access, compliance, engineering, finishes and furnishings. The design works are now complete and in the process of reviews by Randwick and Sutherland Councils. Contracts for construction have been signed and works are scheduled for commencement later in 2021.

Each chapel renovation will be unique yet be aligned with bringing the spaces back to their former glory as per the architect's impressions (below). To add to the cosmetic finishes, substantial works will be undertaken to address groundwater, rising damp, salt and water damage; electrical upgrades including solar installation for energy efficiency; and new accessible access to the buildings and facilities.



The completed chapels will have the latest technology while being returned to their Art Deco splendour.

Product and Project Delivery

This past year has seen substantial ash and burial product created and brought to market along with a clear plan for design and delivery of new areas over the coming years. There has also been a concerted effort to upgrade existing areas containing a significant amount of ash product in the form of niche wall and garden positions. These areas are known at ESMP as The Glade, Gazebo Walls and Gazebo Gardens and at WMP as Centenary Court and Tibouchina Gardens.

In line with customer demand, new ash positions were created at both sites including single- and double-garden positions, family beds, lawn plaque positions and circular raised-granite feature positions. New memorial-only positions were also created including those for the Police Memorial area at WMP.

Burial positions continue to be acquired very quickly following creation. This year we were able to develop new full monumental and monumental lawn areas along with creating additional full monumental, lawn and heritage positions within and alongside existing burial areas at ESMP. A very special upgrade of the stillborn area was undertaken with installation of new beams, and allowing for the creation of additional stillborn, baby and child positions. This has created a tranquil setting for grieving families.

At WMP we were able to develop a new Macedonian area now known as The Cathedral of Trees. Additional beams in Wollemi Lawn and Lawn 6 have created exciting new opportunities for full monumental graves, now known as Jasmine Way.

Facilities and Assets

Considerable work has been undertaken to address pathway dilapidation at ESMP and as an immediate safety action all pathways with concrete trip hazards were identified and a company contracted to grind these down. The many failed pathways were lifted and removed then replaced with new concrete with piers installed to hold them in place. This is particularly challenging work in and among the old heritage monuments on the site.

Roadway resurfacing was undertaken with numerous areas of concrete kerb replacement being undertaken at both sites. Engineering plans have been prepared

for Arthur Taylor Avenue at ESMP and the southern boundary road at WMP for drainage and road reconstruction, following years of erosion and deterioration due to traffic movements and service installations.

Numerous facilities projects have been undertaken including the cleaning and painting of Palm Court at WMP, renovation of the operations staff amenities at WMP, and adjustments and additions to workstations and reception areas at both sites. Air-conditioning systems have been upgraded in the administration building at ESMP along with internal painting throughout. Repairs to refrigeration units have occurred at ESMP Crematorium along with warning sensors for temperature changes.

The Monument Safety Program has continued through its second year of our five-year audit of every monument within both Memorial Parks. This program will ensure all monuments at imminent risk to public safety are made safe and all other monuments are inspected and documented for future notifications to families of required rectification works.

Operations – Burials, Grounds and Crematoria

The year 2020/2021 saw the introduction of our new Cemetery Management System (CMS) and the new finance system move into the digital era for Operations. The new system includes a case-management tracking system and full permits management. Both the Burials and Cremation teams at both sites have had to adjust to significant changes to record keeping and access of information within the new CMS. The system went live in September 2020 and the team continues to make procedural improvements and knowledge of the system increases.

All purchasing is now being managed through a purchase order system in a norming portal. The changes and training for the teams have been substantial, with many of the early issues being recognised and rectified. Still to be implemented will be the Facilities Maintenance component, which will be invaluable particularly for our facilities maintenance team and the management of our assets.

All operational machinery across both sites is now linked to a Husqvarna monitoring system allowing time use and maintenance requirement tracking. This allows our maintenance team to track and monitor all machinery from whipper snippers to excavators.

The Grounds teams at both ESMP and WMP have been planning and implementing long-term weed-management processes. This has included the vast lawn burial areas within the monumental burial areas. Both sites underwent a thorough spray program in spring 2020 and late summer which included pre-emergent herbicides to address the non-germinated weed seeds in many of the monumental areas. In addition to the weed eradication, the differences in the quality of lawn burial area presentation are evident below.

The Grounds teams have been working towards sustainable garden beds, increasing drought tolerance and appropriate displays of colour, including the use of perennials to brighten areas instead of annuals which are short-lived and very labour intensive.

The team has been systematically working through specific areas to lift the appeal of each area and complement its style with plant materials to create a sense of place.

Ongoing maintenance works have been carried out in line with our annual tree audit and safety report. General deadwooding and removal of unsafe limbs and trees have been undertaken following relevant Council determinations. SMCNSW identified an insect infestation that had weakened the structural integrity of our Washingtonia palms in the northern precinct at ESMP and after consultation with NSW Department of Primary Industries we have found that there were no long-term treatment options for the palm trees. Subsequently, approval was obtained from Randwick Council to have the trees removed. Tree replacement will form part of the future capital project to complete the northern precinct area.

Nine large trees, Hill’s weeping fig (*Ficus microcarpa*), also had to be removed at ESMP due to their root systems and large limbs destroying heritage graves, impacting burial positions and damaging heritage walls containing ash interments. Suitable trees will be planted to replace them.

The operational and project delivery teams at SMCNSW continue to be innovative in the planning for the future to ensure longevity of our Memorial Parks, and ensuring we keep the families and communities we service at the forefront of our considerations.



Before and after of Eastern Suburbs Memorial Park General Lawn 8.

Sally Dillon

MANAGER, PEOPLE & CULTURE

People continue to be at the heart of everything we do, and this has now been formalised as one of our priorities in our 2020-2023 strategic plan.

The 2021 People & Culture framework is focused on strategies that support organisational transformation via the implementation of HR business partnering and resources to consolidate the design of processes and pathways that identify, define and improve capabilities in our people and structure. We aim to enhance the capability of the organisational structure through the definition of roles and the appointment of people who align to the Southern Metropolitan Cemeteries NSW (SMCNSW) strategy. We will guide our people through change with the implementation of continuous-improvement methodologies and measurable practices.

A continuous-improvement approach fosters change by enhancing capability through our people and throughout our structure to support the achievement of a consolidated and transformed culture at SMCNSW.

Our Human Resources framework underpins each of our areas of focus, informs our People & Culture Work Plan and flows into our Strategic Plan.

Strategic Review of the Business to Drive Change

We have continued to review and update our organisational structure and have implemented several key functional changes that support our organisation’s customer focus and provides better customer experience and enhances sustainability. We constantly review our labour costs, operational practices and staffing hours, and have reconfigured some of our workforce and rosters to meet our changing needs.

Projects and Work Plans

People & Culture projects have been formulated to meet business decisions for future growth, continuous improvement of systems, practices and capability, and support transformation.

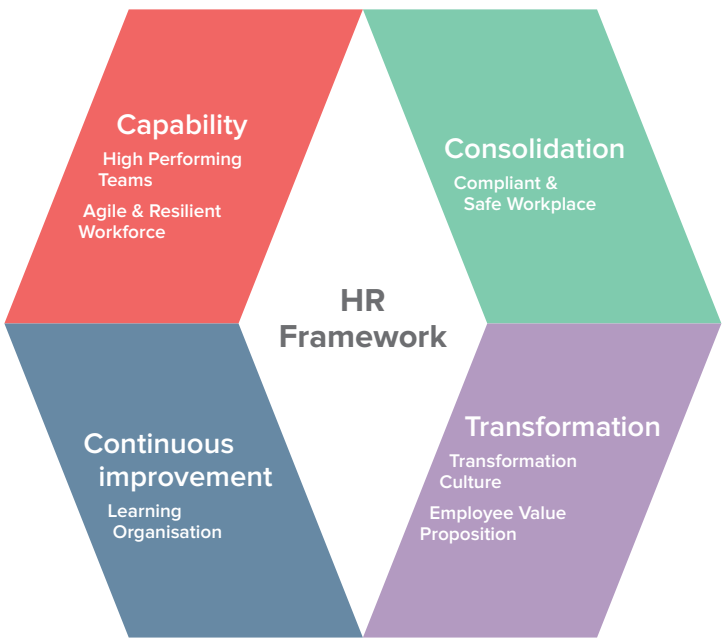
We have also formalised GROW, our culture development program, and have had a specific focus on building and developing in all areas to support a stronger, agile and more resilient workforce, particularly in light of the Covid-19 pandemic which has forced us to look at innovative working practices, revised rosters and supporting our staff through a significant period of uncertainty and personal stress.

Recruitment and Retention

There has been a continued focus on the attraction and retention of high-quality staff and ensuring we put the right people in the right roles as well as reviewing organisation and job design to ensure our positions and workforce are evolving as our business does.

Transformation

The 2021/2022 People & Culture framework is focused on strategies that support our organisational transformation both within a focus on day-to-day improvement and also the amalgamation of the Crown Cemeteries that is currently underway.



Our key areas moving forward are:

- CAPABILITY** – building high performing teams, an agile and resilient workforce, and a formal capability framework including a new Performance Evaluation and Development (PED) system.
- CONSOLIDATION** – a compliant and safe workplace – building knowledge and improving practices and processes and frameworks.
- TRANSFORMATION CULTURE** – building our culture and continuous improvement via GROW, our culture development program, and identifying, validating and communicating our employee value proposition.
- LEARNING ORGANISATION** – building learning paths, training plans, knowledge and employee engagement which will increase employee satisfaction and improve productivity and efficiency.

We will guide our people through change with the implementation of continuous improvement methodologies and measurable practices.

WGEA Reporting

To meet the compliance requirements under the *Workplace Gender Equality Act 2012*, SMCNSW lodged its second public annual report with the Workplace Gender Equality Agency.

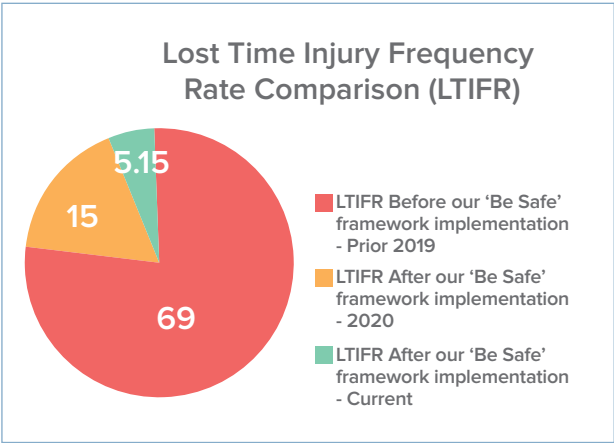
Moving forward, we continue to work on our diversity and inclusion strategy and will implement a formal framework. Our aim is to build a workforce of people from a diverse range of backgrounds, foster a high-performing environment and enhance workplace inclusiveness. By cultivating a respectful workplace culture that offers engagement, collaboration, flexibility and innovation we will ensure that employees can perform to their full potential and maximise the benefits of having diversity in our organisation.

WHS

SMCNSW’s safety culture is one of collaboration and empowerment, where everyone is encouraged to speak up about safety and work together to find solutions. We have continued to implement and widen the scope of our ‘Be Safe’ framework, which is made up of WHS policies, procedures, SWMS,

forms, registers, staff feedback and training, which are designed to improve safety standards and embed a proactive safety culture across SMCNSW.

Our Be Safe program has strengthened our safety practices and embedded positive changes in our practices and processes, with the changes highlighted in our injury statistics. Over the last 12 months we have seen a further significant decline in our Lost Time Injuries (LTI). These are now in line with industry standards and we aim to continue reducing this number.



The above graph reflects our previous Lost Time Injury Frequency Rate (LTIFR) before and after our implementation of our Be Safe framework. It shows our team’s hard work and dedication to improving safety and working within a proactive safety culture.

We are committed to achieving safety excellence through the identification and implementation of industry-leading safety and wellbeing practices throughout the organisation and further enhancing our Be Safe management systems and processes.

Covid-19 Pandemic

The impacts of the Covid-19 pandemic have been significant on our employees, stakeholders and customers. It has also meant that over the last 12 months we have needed to develop and implement new strategies and control measures within our organisation in order to provide a safe workplace and additional mental health support services and awareness programs. Through this challenging period, we have ensured that our employees have been at the forefront of all safety and support measures introduced to protect them.



People are at the heart of
everything we do



Jennifer Potter

DIRECTOR, MARKETING & GROWTH

This year has been a period of transition and change for the organisation putting Southern Metropolitan Cemeteries NSW (SMCNSW) in a growth position by fostering closer relationships with our communities and stakeholders, and future-proofing to continue as a sustainable Crown Land Manager.

While SMCNSW continues to drive change across the organisation, Marketing & Growth has also been focused on opportunities to implement marketing-driven projects and implementing efficiencies which benefit the future growth and sustainability of SMCNSW while aligning to the 2020–2023 Strategic Plan.

Customer Insights for Forward Planning

Gaining insights is imperative for future business growth, so SMCNSW has undertaken market research ensuring we have a greater understanding of the interment practices, needs and preferences of the culturally and linguistically diverse communities across our local government areas in Sydney. The research aimed to assist with the preparation for the future, while positioning SMCNSW as a sustainable organisation.

SMCNSW was fortunate to receive Crown Cemetery Stimulus Funding from Cemeteries & Crematoria NSW (CCNSW) to undertake this research project, which is

titled *Connecting the community to the past and the future – Market research project: CALD (Culturally and Linguistically Diverse)*.

SMCNSW engaged the services of the Cultural and Indigenous Research Centre Australia (CIRCA) to conduct the research, which consisted of mixed methods (qualitative and quantitative) and included the demographic analysis of SMCNSW and ABS data; focus groups with people from five cultural and religious backgrounds; a quantitative survey; and projections of interments.

This approach allowed insights into a variety of objectives, including:

- Forecasting how many people from each cultural and religious group are likely to die in the next 20 years within the catchment area of Eastern Suburbs Memorial Park and next 30 years in the Woronora Memorial Park catchment area.
- Identifying the desired memorial products and their price points across demographic groups.
- Identifying improvements that should be made to current stock and how to make them more attractive to the consumer.
- Understanding the ratio of burial to ash interments required at both sites in order to inform plans for expansion.

Market Research Project - Top-Level Findings



The findings from this research will inform the product-mix strategy and assist with securing other market opportunities which have not been explored within the cemetery space. Planning for the changing demographics within our community is key.

This research also complements the SMCNSW Community Engagement strategy, giving further insights for us to work closely with our existing and emerging communities to deliver products and services that are relevant to them.

MARKETING & GROWTH REPORT

New Booking Technology

Funeral Directors Portal

During the past year the Marketing & Growth and IT teams have scoped and developed an online Funeral Directors Portal, where funeral directors have 24/7 access to reserve service offerings across both memorial parks. The implementation of this portal highlights SMCNSW as an innovator using advanced technology to gain efficiencies internally, while streamlining the process for funeral directors who are one of our key stakeholders.

SMCNSW received Crown Cemetery Stimulus Funding from CCNSW to undertake the development of this portal, which went live in September 2021.

SMCNSW Website

With the launch of SMCNSW’s website in March this year, we have been able to focus on capturing customer data and sales leads. The website has been an integral sales tool during Covid-19, where we have facilitated online sales leads. The website is managed in-house which enables us to be agile in our approach, able to pivot in bringing product offerings to market quickly, while meeting the needs of our customers.

The website has allowed us to stay connected with our community, creating and delivering engaging content in the form of blogs and podcasts, while continuing to position SMCNSW as an innovative industry leader.

Interactive Voice Response (IVR) Phone System

The introduction of the new IVR phone system will further streamline the customer journey and provide efficiencies in delivering quality customer service, directing calls to the relevant department and reducing wait times.

Wayfinding Design

SMCNSW strongly focuses on our communities and how we can better support the customer journey while visiting our memorial parks. The design of a new wayfinding system across both memorial parks is currently underway, which will provide clear and easy navigational tools with directional and interactive signage guiding visitors to locate their loved ones as well as showcase facilities that are available for community use.

Sales

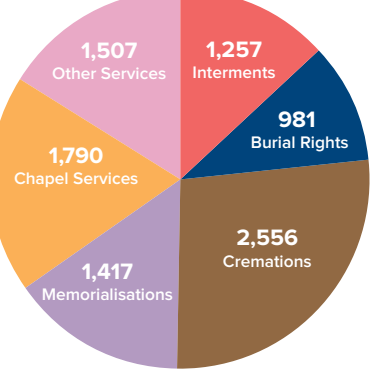
Sales revenue for 2020/2021 was \$21.5m, an increase of \$3m compared to the previous year. Even though SMCNSW experienced the challenges of Covid-19 with health restrictions and the slowing of the economy, the additional product mix of prime burial products at both sites opened opportunities for our communities to plan for their afterlife needs, which resulted in significant increases in annual burial revenue.

Revenue from Operations 2020/21



Total: \$21,535,661

Units



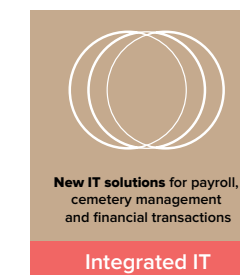
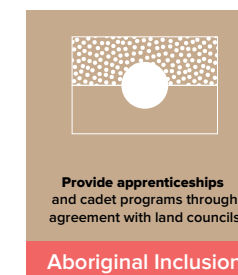
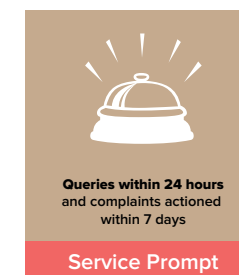
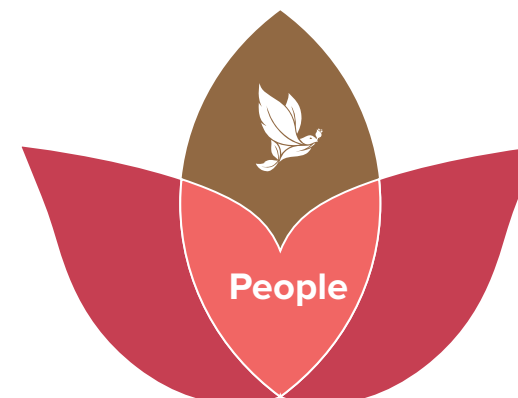
Total: 9,508

We continue to maintain open, relevant and timely communication with our communities and stakeholders to create an emotional connection with our brand.

The 2020 Strategic Plan is made up of four strategic priorities with key deliverables designed to move the organisation forward and position SMCNSW as an industry leader:

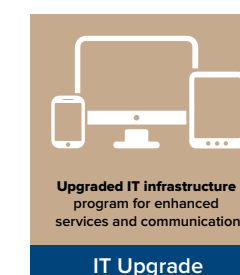
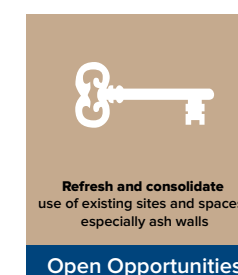
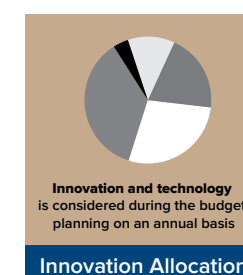
People are at the heart of everything we do

- We deliver a **high standard of service throughout the entire customer journey**, from customer service and facilities, to grounds and services
- We have activated place making and spaces which are **meaningful and attractive to visitors** and focus on **maximising the commercial and social use of our facilities** and assets
- Our **staff are fully supported** to do their job
- We have a merit-based, **diverse workforce that are supported, engaged, adaptable** and **high performing** under one brand across multiple sites

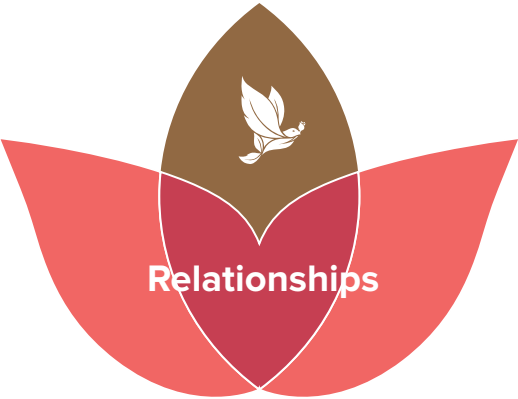


We are prepared for the future

- We operate in an **informed environment** based on best available evidence and research which shapes our agreed vision
- We **demonstrate leadership** through challenging our current approach and **encouraging innovative thinking**
- We seek **opportunities** for business development to ensure we can **serve our future growing communities**
- We embrace **innovation and developments in technology** that enhance our services

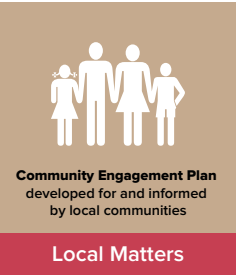


Strategic Plan 2020–2023



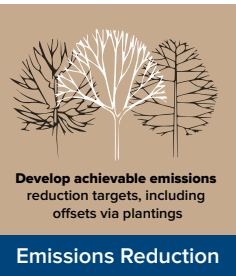
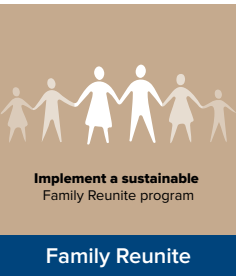
We build and maintain relationships with families and communities and other stakeholders

- We **actively engage** with our customers and the community **to understand and provide options to meet** their diverse needs
- We have an **established and engaged stakeholder network** and seek to deepen engagement
- We **influence** government reform. We lobby effectively for the sector and ensure cemeteries and the **essential services we provide are on the NSW Planning agenda**



We are a sustainable organisation

- Our **asset management policy** is sustainable
- Our **environmental performance** is sustainable
- Our **financial performance** is sustainable, **accountable and transparent**
- Our organisation is **fully compliant** with government legislation and other applicable standards
- We provide a **safe and accessible** environment



 Southern Metropolitan Cemeteries NSW

We are prepared for the **future**

Rachael Kennedy
CHIEF FINANCIAL OFFICER

On 28 May, 2021, clarification was provided with regard to the status of the entity with the appointment of the Administrator. The confirmation that Southern Metropolitan Cemeteries NSW (SMCNSW) is a controlled entity has triggered a number of measures to ensure the framework in which the organisation operates underpins its status. To date an application has been lodged with the ACNC (Australian Charities and Not-for-profits Commission) to revoke the charitable status of the organisation and a number of submissions have been made to various regulatory authorities noting the change in status.

As a result of the confirmation, the financial statements have been reformatted to accommodate the Treasurer’s directions issued under the *Government Sector Finance Act 2018*.

Going live with the new financial systems in July 2020 has delivered a solid, reliable and consistent platform which, coupled with the assistance of business intelligent reporting, produces information on which the business can base informed decisions. These tools underpin the building of a cost culture in the organisation due to the transparency of budget and actual spend, and allow the organisation to adapt quickly with relevant economic decisions to ensure that sufficient revenue is generated to cover costs and the development of further inventory. Our procurement framework is now embedded in the organisation’s day-to-day decisions with fit-for-purpose procurement processes being undertaken by all staff.

The Covid-19 pandemic continues to interfere in day-to-day operations requiring the delivery of the customer experience to be agile to adapt to the changing requirements. The team has embraced these flexible working conditions, ensuring that our customers and stakeholders are serviced with timely information and support as required.

Utilising the strategy and the road maps for delivery of new inventory, significant resources were channelled into the review of the investment policy and the portfolio structures to ensure that they



aligned to the organisation’s risk profile and were positioned to take advantage of the volatile market conditions. This has resulted in approximately \$20m of income and investment growth being included in the current year profit statement.

A plant and equipment valuation was undertaken to ensure that the organisation correctly recognises its assets. The project identified that many assets were undervalued, being recorded at cost rather than fair value. The age of the cemeteries has resulted in old assets being fully depreciated and their value understated being the main factor in the fair value increment. As a result of the valuation report, a \$20m increase to the value of roads, plant and equipment has been recognised in the comprehensive income. This provides a fair assessment of the entity’s assets and enhances transparency of maintenance requirements, which can be modelled from this asset identification.

The finalisation of the implementation of the new systems and clarification of the treatment of capitalisation of SaaS-based implementation costs has increased operating costs by approximately \$1.9m. This is a one-off impact as the system deployment is now finalised and the benefits of the operational and finance systems are being recognised via efficiency in processes and provision of transparency.

Trading Performance

Despite the impacts of the pandemic, SMCNSW was firmly open for business and the cumulation of many strategic programs have resulted in a comprehensive income of \$40.9m (2020: Loss \$4.2m) being reported.

Focus on development of an inventory pipeline produced stock for sale and this resulted in sales of core products reaching \$21.5m (2020: \$18.5m). We continue to offer a vast choice of interment rights positions across both our cemeteries to all our communities. These interment rights sales are from both modern and heritage areas of the cemetery.

The sales increase highlighted the adaptability and the agility of the organisation to operate in the uncertainty of the pandemic with the provision of

appropriate inventory to meet customer preferences. The improved operating result was achieved despite the inclusion of significant abnormal costs due to the deployment of the IT systems of approximately \$2m.

Employee-related expenses of \$11.8m (2020: \$9.3m) highlight the utilisation of resources to achieve the numerous strategic projects that will underpin the future of the organisation, including the implementation of all IT systems. While the total expenses from all transactions for the year were \$24.5m above the prior year of \$21.3m, these costs underpinned programs and projects to increase efficiency in the organisation and were managed to the revenue generated to ensure that the operations were administered by the constraints of generated cash. Finance costs of \$0.4m are recognised due to the interest expense accruing on contract liabilities.

Total services (Interments & Cremations) 5,320 ▼ Down 472 The combination of Covid-19 and the chapel refurbishments have resulted in lower total services than FY20	Burial Interments 1,257 ▲ Up 42 In line with FY20 with Covid-19 impacting sales again	Sale of Burial Rights 981 ▲ Up 349 Restructure of customer care team and focus on pre-need sales along with creation of prime burial products lead to increased sales in FY21	Ash Interments 1,507 ▼ Down 112 In line with FY20 with Covid-19 impacting sales again
Memorialisations 1,417 ▲ Up 270 Restructure of customer care team and focus on pre-need sales along with creation of prime garden positions lead to increased sales in FY21	Cremations 2,556 ▼ Down 402 The refurbishments of the chapels is impacting chapel services and subsequent sales of cremations and other items.	Revenue from contracts with customers \$21.5m ▲ Up \$3m Reflects the increased burial rights and memorialisation sales	Investment income \$22.7m ▲ Up \$25m Result of improved yields on investments and significant unrealised and realised gains
Total expenses \$24.5m ▲ Up \$3.2m Increased costs reflect the implementation of new IT systems and integrated finance system.	Operating expenses \$10.2m ▲ Up \$0.4m Increase due to the change in treatment of SaaS based implementation costs	Finance costs \$.447m ▲ Up by \$0.2m Result of adoption of AASB 15 Revenue standard.	Net Assets \$192.8m ▲ Up \$41m \$20m increase in value of investments and \$20m increase in property, plant and equipment valuation
Cash and investments \$120.2m ▲ Up \$20.8m Significant recovery of SMCNSW investment portfolio during FY21	Inventories \$16.6m ▼ Down \$0.3m Net effect of inventory sales for the year less development of new positions	Contract liabilities \$9.3m ▲ Up \$1m Represents deferred revenue recognised through adoption of AASB15 Revenue standard. To be recognised in future years as performance obligations are delivered	Retained earnings \$147.4m ▲ Up by \$21.3 Net income from continuing operations

FINANCE REPORT

Investment income and the fair valuations of the investments reflected the strategic review of the investment policy to ensure that the entity was well placed to take advantage of changing market conditions. This resulted in investment income of \$22.7m (2020: loss \$2.2m) despite volatile market conditions. Included in this investment income was the recognition of \$16.1m in realised and unrealised gains attributable to the ownership and sale of investments, and \$5.9m in dividends and distributions received (2020; \$2.8m). This highlights the sound investment decisions undertaken. The portfolio performance was well above the levels set by the Administrator to ensure growth of the perpetuity funds.

Financial Position

The SMCNSW net assets as at June 2021 are \$192.8m reflecting an increase of \$40.9m to the prior year, this increase was largely attributable to the \$20m increase in the value of investments as a result of the investment policy review and adjustments to the portfolios, and \$20m increase in property, plant and equipment valuation resulting from an independent valuation of the assets.

To support our customers during this disruptive and challenging time, yearly price increases have been delayed.

Grants and sponsorships

SMCNSW received a NSW Government Grant of \$341,000 under the Connecting the Community to the Past and the Future program. Two important projects were conducted in 2021 with the benefit of this support. \$165,000 was received for a Market Research Program. This allowed SMCNSW to survey and evaluate the interment practices and preferences of culturally and linguistically diverse communities in Sydney, and also to review the range of issues affecting the expectations of Aboriginal communities within Sydney upon the death of a community member. The results of this program will enable SMCNSW to better match its service offerings to the needs of these communities.

\$176,000 was received for the development of an online Funeral Directors Portal. This will improve the ease of dealings between SMCNSW and the funeral directors, as well as improve their experience using this service. The portal will allow stakeholders to self-serve and book services as required which provides tremendous flexibility in out-of-office hours.

Insurances

The Trust obtains independent insurance advice through a broker. Our property assets are protected under an insurance policy called Industrial Special Risks Policy and we have additional insurance cover for public and products liability, cyber, motor fleet, management liability, voluntary workers and business travel.

Leases, licences and permits

The following table outlines the leases and licences in effect for the 2020/21 financial year.

Facility	Tenant Name	Purpose Description
ESMP Café, Florist and Condolence Centre	Celeste Catering Pty Ltd	Café, Florist and Condolence Centre
Woronora Tea Rooms, Florist and Condolence Centre	Celeste Catering Pty Ltd	Tea Rooms, Florist and Condolence Centre
ESMP Funeral Home	Joseph Medcalf Funeral Services	Funeral Home

Use of consultants

Department	Consultant	Work Performed	Actual YTD
CapWorks EMP	NBRS Architecture	Conservation Plan	\$47,841
CapWorks SMCNSW	ACOR Consultants Pty Ltd	Storm Water Master Plan amendments	\$575
CapWorks SMCNSW	Northstar Air Quality Pty Ltd	SMCNSW Crem emissions testing & dispersion modelling	\$18,500
CapWorks SMCNSW	D.J.Hall Consulting Civil and Structural Engineer	Structural engineering advice	\$500
CapWorks SMCNSW	BCA01-BCA Vision Pty Ltd	Review Schwartz Mausoleum & Columbarum	\$1,500
CapWorks SMCNSW	Group GSA	Plans of management consultancy services	\$30,450
CapWorks WMP	NBRS Architecture	Conservation plan	\$59,256
Customer Support SMCNSW	Mojo Media	Media consultancy	\$17,845
Customer Support SMCNSW	Cultural & Indigenous Research Centre Australia	Research project	\$53,887
FinIT SMCNSW	Amstelveen	Internal audit program	\$44,850
FinIT SMCNSW	KPMG	GST Advice	\$13,636
Grounds EMP	ArborSafe	ArborSafe tree audit and tree inspections	\$6,840
Grounds WMP	Greencap Pty Ltd	Health & hygiene management	\$11,640
OpsFac EMP	D.J.Hall Consulting Civil and Structural Engineer	Structural and civil engineer	\$3,900
Total			\$311,221

Legal Factors	
The primary documents directing our organisation include:	
<i>Biodiversity Conservation Act 2016</i>	<i>Heritage Regulation 2012</i>
<i>Cemeteries and Crematoria Act 2013</i>	<i>Independent Pricing and Regulatory Tribunal Act 1992</i>
<i>Cemeteries and Crematoria Regulation 2014</i>	<i>Privacy Act 1988</i>
<i>Crown Land Management Act 2016</i>	<i>Protection of the Environment Operations Act 1997</i>
<i>Crown Land Management Regulation 2018</i>	<i>Threatened Species Conservation Act 1995</i>
<i>SMCNSW Conservation Management Plan 2016</i>	<i>Threatened Species Conservation Regulation 2010</i>
<i>Disability Inclusion Act 1982</i>	<i>Work Health and Safety Act 2011</i>
<i>Freedom of Information Act 1982</i>	<i>Work Health and Safety Regulations 2011</i>
<i>Heritage Act 1977</i>	

Disclosure of amounts over \$50k spend

Project Description	Site	Amount
Chapel refurbishment (ESMP and WMP)	ESMP and WMP	\$980,366
Bunnerong Project - development of inventory	ESMP	\$359,537
WMP Centenary Court renovation	WMP	\$283,172
Equipment - WMP Komatsu backhoe	WMP	\$185,600
ESMP Concrete pathway replacement	ESMP	\$182,754
ESMP Crematorium Cremator 1 refurbishment	ESMP	\$152,545
WMP Macedonian roadway	WMP	\$136,488
ESMP irrigation systems (additions and upgrading control systems with rain sensors)	ESMP	\$114,506
ESMP Family Beds - development of inventory	ESMP	\$108,735
WMP Jasmine Way - development of inventory	WMP	\$102,210
ESMP Road surfacing (Lesnie Ave, Wallis Ave, Cemetery Ave, Hotson Ave)	ESMP	\$93,268
Equipment - ESMP forklift	ESMP	\$84,740
IT replacement equipment	ESMP and WMP	\$66,087
WMP Western Compound improvements	WMP	\$65,730
WMP Rose Gardens Circle - development of inventory	WMP	\$60,060
Total		\$2,975,797



This year the Board’s internal audit focus has been on compliance within the new CRM and finance systems. We also undertook a major review and update of the risk register and organisational delegations, and continued to update Covid-19 response planning.

An important component of this plan has been WHS provisions for staff and establishing working from home arrangements for the majority of the administrative staff, as well as tracking vaccination status.

We have continued to focus on communication to funeral directors to advise them of their compliance requirements under Public Health Orders. Southern Metropolitan Cemeteries NSW (SMCNSW) has been operating a Covid-Safe registered business for over 18 months. The Board receives regular updates on compliance with the Covid-19 Response Plan.

The restructure of the customer services arm of the business has now been completed. Following the initial implementation of new systems in the first half of the financial year, the Board commissioned an evaluation of IT systems across the business and had commenced work on the development of an IT

strategy prior to the appointment of the Administrator.

This project is now in abeyance pending the establishment of OneCrown. Further development of the CRM is also in abeyance, notwithstanding the recommendations of the internal audit to make a series of system changes designed to improve compliance. Further work on the CRM has been stopped pending decisions about a consolidated approach within OneCrown.

Work on the rollout of the performance management framework also ceased in the context of a different approach taken by the Administrator in enterprise agreement (EA) negotiations. The new EA for SMCNSW aligns worker allowances with those in place at Rookwood Cemetery.

The establishment of OneCrown has provided the opportunity to undertake further analysis of SMCLM’s cost to serve and to review the stock levels at both sites. This work will continue over the coming months but appears to indicate that there remain significant opportunities for both ash and burial stock development.



To the Administrator
Southern Metropolitan Cemeteries Land Manager

Auditor's Independence Declaration

As auditor for the audit of the financial statements of Southern Metropolitan Cemeteries Land Manager for the year ended 30 June 2021, I declare, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.



Margaret Crawford
Auditor-General for New South Wales

18 November 2021
SYDNEY



INDEPENDENT AUDITOR’S REPORT
Southern Metropolitan Cemeteries Land Manager

To Members of the New South Wales Parliament and Members of Southern Metropolitan Cemeteries Land Manager

Opinion

I have audited the accompanying financial statements of Southern Metropolitan Cemeteries Land Manager (the Land Manager), which comprise the Financial Declaration for the Responsible Person, the Statement by the Accountable Authority, the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes comprising a statement of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly the Land Manager's financial position, financial performance and cash flows
- have been prepared in accordance with Division 60 of the *Australian Charities and Not-for-Profits Commission Act 2012* and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Land Manager in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

The Land Manager's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Administrator of the Land Manager is responsible for the other information.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

Administrator’s Responsibilities for the Financial Statements

The Administrator of the Land Manager is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulations and Treasurer's Directions, and the *Australian Charities and Not-for-Profits Commission Act 2012*. The Administrator's responsibility also includes such internal control as the Administrator determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Administrator is responsible for assessing the Land Manager's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Land Manager carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Margaret Crawford
Auditor-General for New South Wales

18 November 2021
SYDNEY



Financial declaration for Responsible Person

per section 60.15 of the Australian Charities and Not-for-profits Commission Regulation 2013

The Responsible Persons declare that in the Responsible Persons' opinion:

- (a) there are reasonable grounds to believe that the registered entity is able to pay all of its debts, as and when they become due and payable; and
- (b) the financial statements and notes satisfy the requirements of the Australian Charities and Not-for-profits Commission Act 2012.

Signed in accordance with subsection 60.15(2) of the Australian Charities and Not-for-profit Commission Regulation 2013.

Lee Shearer APM
Administrator
OneCrown Cemeteries

Dated this Friday 12 November 2021



Southern
Metropolitan
Cemeteries
NSW
ABN 13 806 606 081

Park locations
Eastern Suburbs Memorial Park
12 Military Road, Matraville, 2036
T 02 9661 5655 F 02 9311 3654
E esmp.enquiries@smcnsw.org.au
W smcnsw.org.au

Woronora Memorial Park
121 Linden Street, Sutherland, 2232
T 02 9545 4677 F 02 9545 1010
E wmp.enquiries@smcnsw.org.au
W smcnsw.org.au



Statement by the Accountable Authority

Pursuant to section 7.6(4) of the Government Sector Finance Act 2018 ('the Act'), I state that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the Act, the Government Sector Finance Regulation 2018 and the Treasurer's directions, and
- present fairly Southern Metropolitan Land Manager's financial position, financial performance and cash flows.

Lee Shearer APM
Administrator
OneCrown Cemeteries

Dated this Friday 12 November 2021



Southern
Metropolitan
Cemeteries
NSW
ABN 13 806 606 081

Park locations
Eastern Suburbs Memorial Park
12 Military Road, Matraville, 2036
T 02 9661 5655 F 02 9311 3654
E esmp.enquiries@smcnsw.org.au
W smcnsw.org.au

Woronora Memorial Park
121 Linden Street, Sutherland, 2232
T 02 9545 4677 F 02 9545 1010
E wmp.enquiries@smcnsw.org.au
W smcnsw.org.au

Statement of profit or loss and other comprehensive income

for the financial year ended 30 June 2021

	Notes	Year ended 30/06/2021 \$'000	Year ended 30/06/2020 \$'000
Expenses excluding losses			
Employee-related expenses	2(a)	11,829	9,372
Operating expenses	2(b)	10,252	9,867
Depreciation and amortisation	2(c)	2,045	1,935
Finance costs	2(d)	447	221
Total expenses excluding losses		24,573	21,395
Revenue			
Sale of goods and services from contracts with customers	3(a)	21,536	18,517
Investment revenue	3(b)	22,740	(2,249)
Grants and other contributions	3(c)	1,597	904
Total revenue		45,873	17,172
Net income/(loss) from continuing operations			
		21,300	(4,223)
Other comprehensive income			
Changes in revaluation surplus of property, plant and equipment		19,590	13
Total other comprehensive income		19,590	13
TOTAL COMPREHENSIVE INCOME/(LOSS)		40,890	(4,210)

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2021

	Notes	Year ended 30/06/2021 \$'000	Year ended 30/06/2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	4	5,764	3,961
Receivables	5	5,494	2,834
Contract assets	6	2,058	2,140
Inventories	7	1,296	1,205
Financial assets at fair value	9	8,100	22,340
Total current assets		22,712	32,480
Non-current assets			
Inventories	7	15,273	15,671
Financial assets at fair value	8	106,357	73,132
Property, plant and equipment	9		
- Land and building		31,251	31,825
- Plant and equipment		6,432	5,506
- Infrastructure systems		21,608	3,379
- Capital work in progress		1,760	768
Total property, plant and equipment		61,051	41,478
Right-of-use-assets	10	42	39
Intangibles asset	11	1	271
Total Non-Current Assets		182,724	130,591
Total Assets		205,436	163,071
LIABILITIES			
Current Liabilities			
Payables	12	1,510	1,373
Lease liabilities	13	19	15
Provisions	14	1,437	1,225
Contract liabilities	6	9,336	8,282
Total Current Liabilities		12,302	10,895
Non-current liabilities			
Lease liabilities	13	24	26
Provisions	14	289	218
Total Non-Current Liabilities		313	244
Total Liabilities		12,615	11,139
Net Assets		192,821	151,932
Equity			
Accumulated funds	15	147,377	126,078
Reserves		45,444	25,854
Total Equity		192,821	151,932

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the financial year ended 30 June 2021

	Note	Accumulated Funds	Asset revaluation reserve \$'000	Total \$'000
Balance at 1 July 2020		126,078	25,854	151,932
Net result for the year		21,300	-	21,300
Other comprehensive income				
Net change in revaluation surplus of property, plant and equipment		-	19,590	19,590
Total comprehensive income for the year		21,300	19,590	40,890
Balance at 30 June 2021		147,378	45,444	192,822
Balance at 1 July 2019		134,323	25,841	160,164
Changes in accounting policy – initial application of AASB15 and 16		(4,022)	-	(4,022)
Restated balance at 1 July 2019		130,301	25,841	156,142
Net result for the year		(4,223)		(4,223)
Other comprehensive income				
Net change in revaluation surplus of property, plant and equipment		-	13	13
Total comprehensive income for the year		(4,223)	13	(4,210)
Balance at 30 June 2020		126,078	25,854	151,932

The accompanying notes form part of these financial statements.

Statement of cash flows

for the financial year ended 30 June 2021

	Notes	Year ended 30/06/2021 \$'000	Year ended 30/06/2020 \$'000
Cash flows from operating activities			
Payments			
Employee related		(11,440)	(9,875)
Suppliers for goods and services		(11,949)	(9,723)
Finance costs		(1)	(1)
Total Payments		(23,390)	(19,599)
Receipts			
Sale of goods and services		24,865	20,600
Interest received		252	470
Grants		1,909	592
Dividends received		2,993	3,629
Total Receipts		30,019	25,291
Net cash flows from operating activities	18	6,629	5,692
Cash flows from investing activities			
Proceeds from sale property, plant and equipment		558	245
Proceeds from sale of financial assets		75,111	76,819
Purchase of property plant and equipment		(2,471)	(4,718)
Purchase of intangible assets		-	(332)
Purchase of financial assets		(78,002)	(82,980)
Net cash flows from investing activities		(4,804)	(10,966)
Net cash flows from financing activities			
Payment of principal portion of lease liabilities		(22)	(13)
Cash flows from financing activities		(22)	(13)
Net increase/(decrease) in cash and cash equivalents		1,803	(5,287)
Opening cash and cash equivalents		3,961	9,248
Closing cash and cash equivalents	4	5,764	3,961

The accompanying notes form part of these financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

Southern Metropolitan Cemeteries Land Manager (SMCNSW) is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. This status was clarified on 28 May 2021 with the appointment of an Administrator by the State of New South Wales. A number of actions are underway to complete the transition to a controlled entity including revocation of Charity Status by the Australian Charities and Not-for-profits Commission and the subsequent amendment of current registrations associated with the change in status. SMCNSW is incorporated under the *Crown Lands Management Act 2016* and operates under the *Cemeteries and Crematoria Act 2013* (NSW).

SMCNSW is primarily involved in the provision of burial, cremation and memorialisation services for the public.

SMCNSW is a not-for-profit entity (as profit is not its principal objective) and does not have a cash generating unit.

These financial statements for the year ended 30 June 2021 have been authorised for issue by the Administrator on 12 November 2021.

(b) Basis of preparation

SMCNSW financial statements are general purpose financial statements which have been prepared on an accrual basis in accordance with:

- applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations)
- the requirements of the Government Sector Finance Act 2018 (GSF Act) ; and
- Treasurer's Directions issued under the GSF Act.

Property, plant and equipment and certain financial assets and liabilities are measured on a fair value basis. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise. Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the entity's presentation and functional currency.

(c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that the:

- amount of GST incurred by the SMCNSW as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the ATO is included as part of receivables or payables respectively.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Foreign Currency Translation

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date. Differences arising on settlement or translation of monetary items are recognised in net result.

1. Statement of significant accounting policies (cont'd)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or net results are also recognised in other comprehensive income or net results, respectively).

(f) Comparative information

Except when an AAS permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

(g) Changes in accounting policies, including new or revised Australian Accounting Standards

The accounting policies applied in the preparation of this financial report are consistent with those of the previous financial year unless otherwise stated.

i. Effective for the first time in FY2020-21

The entity applied AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) for the first time. There are no changes as a result of adoption of this new accounting standard.

Several other amendments and interpretations apply for the first time in FY2020-21, but do not have an impact on the financial statements of the entity

ii. Issued but not yet effective

NSW public sector entities are not permitted to early adopt new AAS, unless Treasury determines otherwise.

The following new AAS have not been applied and are not yet effective AASB 1060 General Purpose Financial Statements – Simplified Disclosure for For-Profit and Not-for-Profit Tier 2 Entities and AASB 2021-1 Amendments to Australian Account Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities. No changes are noted as a result of the possible impact of these Standards in the period of initial application.

(h) Impact of COVID-19 on Financial Reporting for 2020-21

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while the impact has been recognised for the entity up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Notes to the financial statements

for the financial year ended 30 June 2021

2. EXPENSES EXCLUDING LOSSES

(a) Employee related expenses:

	2021 \$'000	2020 \$'000
Salaries and wages (including annual leave)	10,252	8,238
Superannuation - defined contribution plans	927	738
Long service leave	145	(27)
Fringe benefits tax	28	11
Workers' compensation insurance	477	412
	11,829	9,372

The amount of employee related costs that have been capitalised, in particular property, plant and equipment or intangible assets accounts, and therefore excluded from the above; is (\$101k) in 2021 (2020: \$243k).

(b) Other operating expenses include the following

	2021 \$'000	2020 \$'000
Auditor's remuneration – audit of financial statements	65	112
Cost of Sales	2,532	2,610
Maintenance	740	714
Insurance	228	212
Consultants	311	859
Marketing	84	171
Temporary staff	1,025	448
Motor vehicles	80	68
Utilities	204	199
Cleaning	328	434
Information technology	2,141	694
Communications	199	215
Legal fees	136	465
Investment and bank fees	251	242
Security	133	144
Training	91	53
Recruitment	166	165
Waste and rubbish	160	298
Grounds operations	175	252
Other Operating expenses	1,203	1,512
	10,252	9,867

Total maintenance expenditure is further explained as follows:

	2021 \$'000	2020 \$'000
Maintenance expense – contracted labour and other non employee related, as above	740	714
Employee related maintenance expense included in Note 2(a)	2,749	3,058
	3,489	3,772

Notes to the financial statements

for the financial year ended 30 June 2021

2. Expenses excluding losses (cont'd)

Recognition and Measurement

Maintenance expense

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement or an enhancement of a part or component of an asset, in which case the costs are capitalised and depreciated.

Insurance

SMCNSW's insurance activities are conducted through an independent Insurance Broker. Property assets are protected under an Industrial Special Risks Policy and additional insurance cover is held for public and product liability, cyber, motor fleet, management liability, voluntary workers and business travel insurance

Consultants

SMCNSW regards a consultant as a person or organisation engaged under contract on a temporary basis to provide recommendations or professional advice to assist decision making by management. The advisory nature of this work differentiates these consultants from other contractors. Consultants expenses are charged as expenses as incurred, except where they relate to the replacement or an enhancement of a part or component of an asset, in which case the costs are capitalised and depreciated.

(c) Depreciation and amortisation expense

	2021 \$'000	2020 \$'000
Depreciation		
Buildings	574	543
Infrastructure systems	390	457
Plant and equipment	1,122	858
Amortisation		
Intangibles	(63)	63
Right-of-use asset	22	14
	2,045	1,935

Refer to Note 9 for recognition and measurement policies on depreciation and amortisation.

(d) Finance Costs:

	2021 \$'000	2020 \$'000
Interest expense from lease liabilities	1	1
Interest expense from contract liabilities	446	220
	447	221

Recognition and measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit NSW GGS entities.

Notes to the financial statements

for the financial year ended 30 June 2021

3. REVENUES

Recognition and measurement

Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities, dependent on whether there is a contract with a customer defined by AASB 15 Revenue from Contracts with Customers.

Comments regarding the accounting policies for the recognition of income are discussed below.

(a) Sales of Goods and services from contracts with customers

	2021 \$'000	2020 \$'000
Sale of goods		
Sales of goods - Cemetery	11,888	9,587
Sales of goods - Crematorium	3,474	3,128
Sub-total Sale of goods	15,362	12,715
Rendering of services		
Rendering of services - Cemetery	4,145	2,995
Rendering of services - Crematorium	2,029	2,808
Sub-total Rendering of services	6,174	5,803
	21,536	18,517

Recognition and Measurement

Sale of goods

Revenue from sale of goods is recognised when SMCNSW satisfies a performance obligation by transferring the promised goods.

Rendering of services

Revenue from rendering of services is recognised when SMCNSW satisfies the performance obligation by transferring the promised services. Revenue is recognised at an amount that reflects the consideration to which SMCNSW is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, SMCNSW identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Refund liabilities are recognised where SMCNSW receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which SMCNSW does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

The recognition of revenue in accordance with AASB15 requires each distinct performance obligation within a contract to be identified and revenue allocated to each performance obligation based on a reasonable estimate of their "stand alone prices". Where possible, a direct "stand alone" price for a performance obligation has been applied. However, often these contracts will have been entered into many years ago and information as to "stand alone" prices may not be available. SMCNSW has therefore applied reasonable methods of estimation of "stand alone" prices including reference to price indices and third-party price information.

Notes to the financial statements

for the financial year ended 30 June 2021

3. Revenues (cont'd)

SMCNSW has contracts where the period between payment by the customer and completion of the performance obligation exceeds one year. SMCNSW therefore adjusts its contract liabilities recognised under AASB15 to include a financing component (using an estimated discount rate) for the purpose of estimating the cash price the customer would have paid if paying the consideration at the same time as the performance obligation is completed.

Refer to Note 6 for additional information in relation to SMCNSW contract liabilities providing revenue from the rendering of services (including disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when SMCNSW expects to recognise the unsatisfied portion as revenue.

(b) Investment revenue

	2021 \$'000	2020 \$'000
Interest income from financial assets at amortised cost	200	459
Rental income – Other	409	369
Dividends	5,907	2,776
Net gains/(losses) from financial assets at fair value through profit or loss	16,186	(6,517)
Imputation credits	38	664
	22,740	(2,249)

Recognition and Measurement

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term. SMCNSW have implemented the regulations prescribed by the Retail and Other Commercial Leases (Covid-19) Regulation 2021 and 2020 and offered applicable rent relief to its impacted lessee.

Dividend income

Dividend income is recognised when the SMCNSW's right to receive the payment has been established.

Imputation credits receivable

SMCNSW is no longer entitled to a refund of imputation credits pending the outcome of the revocation of its charity status.

(c) Grants

	2021 \$'000	2020 \$'000
Other grants with sufficiently specific performance obligations	1,597	904
	1,597	904

Recognition and Measurement

SMCNSW has been provided with a NSW Government Grant with specific performance obligations – to complete a research project and a Funeral Director portal for its website. This grant was provided as part of the NSW Government Serving Communities Program. Income from these grants will be recognised when these performance obligations involving project completion are satisfied.

Revenue from this grant is recognised based on the grant amount specified in the funding agreement/funding

Notes to the financial statements

for the financial year ended 30 June 2021

3. Revenues (cont'd)

approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

SMCNSW received government contributions in relation to COVID-19. SMCNSW typically satisfies its performance obligations when wages are paid to employees. Revenue from these contributions is recognised based on the wages amount specified in the COVID-19 measures introduced by the federal government, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The funding payments are usually received shortly after the relevant obligation is satisfied.

4. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2021 \$'000	2020 \$'000
Cash at bank and on hand	5,764	3,961
	5,764	3,961

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand, and short term deposits with original maturities of three months or less and subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	5,764	3,961
Closing cash and cash equivalents (per statement of cash flows)	5,764	3,961

Refer Note 19 for details regarding credit risk and market risk arising from financial instruments.

5. CURRENT/NON-CURRENT ASSETS - RECEIVABLES

	2021 \$'000	2020 \$'000
Current		
Trade receivables from contracts with customers	696	752
Other Receivables	4,495	1,725
	5,191	2,477
Prepayments	283	284
Interest accrued	20	73
	5,494	2,834

Details regarding credit risk of trade debtors that are neither past due nor impaired, are disclosed in Note 19.

Recognition and Measurement

All 'regular way' purchases or sales of financial asset are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Notes to the financial statements

for the financial year ended 30 June 2021

5. Current/Non Current Assets – Receivables (cont'd)

Subsequent measurement

SMCNSW holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

For trade receivables, SMCNSW applies a simplified approach in calculating ECLs. The entity recognises a loss allowance based on lifetime ECLs at each reporting date. The entity has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable. Given the terms of many contractual arrangements, the ECL is extremely low.

6. CONTRACT ASSETS AND LIABILITIES

	2021 \$'000	2020 \$'000
Contract assets – current	2,058	2,140
	2,058	2,140
Contract liabilities – current	9,336	8,282
	9,336	8,282

Recognition and Measurement

Contract Assets

Contract assets relate to the SMCNSW's right to receive consideration in exchange for goods transferred or services provided to customers, or to works completed, but not billed at the reporting date in respect of:

- The entitlement held by SMCNSW to receive the redemption value of funds held by funeral plan management companies which are payable to SMCNSW on the performance of the plans contracted events.
- The right held by SMCNSW to recover an interment right when SMCNSW acts in relation to its current business policy of processing valid requests for refund and surrender of interment rights.

The balance of contract assets recognised by SMCNSW was impacted by normal business factors in 2021 and fell by \$82,000 in the course of the year as a result of the occurrence of normal business levels of the redemption of funeral plan management contracts (as services covered by those agreements occur) and the surrender of interment rights.

Contract Liabilities

Contract liabilities relate to consideration received in advance from customers in respect of:

- Services which are agreed to be performed under prepaid funeral management contracts. SMCNSW will defer recognition of revenue until the time the performance obligations are satisfied (whether, most commonly, they be interment, cremation or the placement of ashes with plaque).
- SMCNSW deliverables including:
 - o Interment rights – An interment right is the right to be committed in a designated space in a cemetery in perpetuity. The specific site is allocated at the time of signing the contract. Upon receipt of full payment, a certificate of exclusive right of interment is issued to the customer. Revenue is recognised at this time of grant of right of interment to the customer.
 - o Crematorium services - Revenue is recognised at the time the service is performed.
 - o Memorialisation services – Revenue is recognised at the time the memorialisation is installed.
- Contracts with customers in which deliverables are “bundled” together, often with an interment right. These additional deliverables may include a headstone, candilli, granite tablet, plaque and placement and/or lettering. Each distinct performance obligation within these “bundled” contracts has been identified and

Notes to the financial statements

for the financial year ended 30 June 2021

6. Contract assets and liabilities (cont'd)

revenue allocated to each performance obligation based on a reasonable estimate of their standalone alone prices. Revenue is then recognised when each of the performance obligations is satisfied.

- The surrender of interment rights where SMCNSW has a current business policy of processing valid requests for refunds of interment rights. Consideration that is expected to be returned as a refund is recorded as a contract liability, and not as revenue.

Where any contract contains a significant financing component this contract liability and revenue will be adjusted to reflect the time value of money.

The balance of contract liabilities recognised by SMCNSW was impacted by normal business factors in 2021 and rose by \$1.1m) in the course of the year as a result of the recognition of new contracts requiring future service delivery in excess of the levels of the performance of services in 2021.

Other features:

Revenue recognised included in the contract liability balance at year beginning	1,548	1,628
Revenue recognised from performance obligations satisfied in prior periods	-	-
Transaction price allocated to the remaining performance obligations from contracts with customers	9,336	8,282

The transaction price allocated to the remaining performance obligations relates to funeral plan contracts, payment plan contracts and cemetery and crematorium contracts with customers. Of these amounts 25% is expected to be recognised as revenue in the 2021-22 financial year and 6% in the 2022-23 financial year.

Perpetual Care of monuments

SMCNSW is a party to a series of customer contracts (287 in number) entered before 2008 which require a place of burial to be maintained in perpetuity in accordance with Regulation 50 for The Management of Woronora General Cemetery (1935). SMCNSW must expend on each of these places of burial an amount equal to 5% of the original sum paid by the customer. SMCNSW has recognised a contract liability in respect of these perpetual obligations at an amount equivalent to the net present value of the amount required in perpetuity to meet these perpetual care obligations.

7. CURRENT/NON CONTRACT ASSETS – INVENTORIES

	2021 \$'000	2020 \$'000
Held for resale		
Crypts and mausoleums (at cost)	5,088	5,566
Grave foundations and beams(at cost)	5,169	5,807
Garden memorialisations (at cost)	620	693
Inventory work in progress (at cost)	1,836	953
Future developed areas(at cost)	3,856	3,856
	16,569	16,876
Current	1,296	1,205
Non Current	15,273	15,671
	16,569	16,876

Notes to the financial statements

for the financial year ended 30 June 2021

7. Current/non contract assets–inventories (cont'd)

Recognition and Measurement

Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Inventory which is surrendered to SMCNSW as part of its surrender and revocation policy is recognised at the replacement cost SMCNSW incurs to acquire the asset.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The current inventory balance is based on the expected units to be sold within 12 months of the reporting period.

8. CURRENT/NON CONTRACT – FINANCIAL ASSETS AT FAIR VALUE

	2021 \$'000	2020 \$'000
Investment in term deposits	8,100	22,340
Investment in equity shares – listed shares	30,582	52,978
Investment in equity shares – unlisted shares	2	2
Investment in managed funds	75,773	20,152
	114,457	95,472

Refer to Note 19 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

Recognition and Measurement

All “regular way” purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

The entity's financial assets at fair value are classified, at initial recognition, as subsequently measured at fair value through profit or loss.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value under AASB 9. Financial assets are held for trading if acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria to be classified at amortised cost or at fair value through other comprehensive income, financial assets may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in net results and presented net within other gains/(losses).Refer to Note 19 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

Notes to the financial statements

for the financial year ended 30 June 2021

9. PROPERTY, PLANT AND EQUIPMENT

Total property, plant and equipment - all held and used by SMCNSW

	Land and Buildings	Plant and Equipment	Infrastructure Systems	WIP	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2019 – fair value					
Gross carrying amount	30,977	8,521	4,292	676	44,466
Accumulated depreciation and impairment	-	(3,411)	(1,139)	-	(4,550)
Net carrying amount	30,977	5,110	3,153	676	39,916
Year ended 30 June 2020					
Net carrying amount at beginning of year	30,977	5,110	3,153	676	39,916
Purchases of assets	122	1,114	116	3,366	4,718
Disposals	-	(29)	(129)	(228)	(386)
Net revaluation increments less decrements	13				13
Depreciation expense	(542)	(1,047)	(269)	-	(1,858)
Transfers in/(out)	1,254	358	508	(3,046)	(926)
Net carrying amount at end of year	31,825	5,506	3,379	768	41,478
At 1 July 2020 – fair value					
Gross carrying amount	32,315	9,969	4,851	768	47,903
Accumulated depreciation and impairment	(490)	(4,463)	(1,472)	-	(6,425)
Net carrying amount	31,825	5,506	3,379	768	41,478
Year ended 30 June 2021					
Net carrying amount at beginning of year	31,825	5,506	3,379	768	41,478
Purchases of assets	-	122	39	2,828	2,989
Disposals	-	(315)	-	(505)	(820)
Net revaluation increments less decrements	-	1,524	18,066	-	19,590
Depreciation expense	(574)	(1,205)	(390)	-	(2,169)
Transfers in/(out)		800	514	(1,331)	(17)
Net carrying amount at end of year	31,251	6,432	21,608	1,760	61,051
At 1 July 2021 – fair value					
Gross carrying amount	32,315	6,432	21,608	1,760	62,115
Accumulated depreciation and impairment	(1,064)	-	-	-	(1,064)
Net carrying amount	31,251	6,432	21,608	1,760	61,051

Notes to the financial statements

for the financial year ended 30 June 2021

9. Property, plant and equipment (cont'd)

Recognition and Measurement

Acquisition of property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other AAS. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date. Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent; i.e. deferred payment amount is effectively discounted over the period of credit. Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Capitalisation thresholds

Property, plant and equipment and intangible assets costing \$500 and above individually (or forming part of a network costing more than \$500) are capitalised.

Major inspection costs

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation of property, plant and equipment

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the SMCNSW. All material identifiable components of assets are depreciated separately over their useful lives. Land is not a depreciable asset. Certain heritage assets including original artworks and collections and heritage buildings may not have a limited useful life because appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. The decision not to recognise depreciation for these assets is reviewed annually.

Class of fixed asset	Useful life	Depreciation rate
Buildings	10 to 40 years	2.5% to 10%
Office furniture and equipment	3 to 10 years	10% to 33%
Motor vehicles	5 years	20%
Roadwork and grounds	5 to 20 years	5% to 20%

Right-of-Use Assets acquired by lessees

AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. SMCNSW has elected to present right-of-use assets separately in the Statement of Financial Position. Further information on leases is contained at Note 10.

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper. This policy adopts fair value in accordance with AASB 13, AASB 116 and AASB 140 Investment Property.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

9. Property, plant and equipment (cont'd)

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 19 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. SMCNSW conducts a comprehensive revaluation at least every three years for its land and buildings (except infrastructure and land under infrastructure) where the market or income approach is the most appropriate valuation technique and at least every five years for other classes of property, plant and equipment. The last comprehensive revaluation for different classes of assets completed is listed below and was based on an independent assessment.

Class of fixed asset	Independent Valuer	Date of Valuation
Land	Opteon Property Group	30 June 2020
Buildings	Opteon Property Group	30 June 2020
Infrastructure systems	Preston Rowe Paterson Sydney Pty Ltd	30 June 2021
Plant and equipment	Preston Rowe Paterson Sydney Pty Ltd	30 June 2021

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value.

Non-specialised assets with short useful lives are measured at depreciated historical cost, which for these assets approximates fair value. SMCNSW has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For other assets valued using other valuation techniques, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent that an increment reverses a revaluation decrement in respect of the same class of asset previously recognised as a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss in the net result, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case, the decrement is debited directly to the revaluation surplus.

As a not-for-profit, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

When revaluing non-current assets accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise for SMCNSW. Since property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in rare circumstances such as where the costs of disposal are material.

SMCNSW assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the entity estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered

9. Property, plant and equipment (cont'd)

impaired and is written down to its recoverable amount.

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

10. LEASES

a) Entity as lessee

SMCNSW has leases for office equipment. Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The lease of office equipment is limited to 3 to 5 years. Lease payments are generally fixed and are not dependent on any index or rate.

Lease contracts are typically made for fixed periods of 3 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. SMCNSW does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the SMCNSW and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). No future cash outflows have been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of \$7,870.

AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

Notes to the financial statements

for the financial year ended 30 June 2021

10. Leases (cont'd)

Right of use assets under leases

The following table presents right-of-use assets that do not meet the definition of investment property.

	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2020	39	39
Additions	25	25
Depreciation expense	(22)	(22)
Balance at 30 June 2021	42	42
Balance at 1 July 2019	53	53
Depreciation expense	(14)	(14)
Balance at 30 June 2020	39	39

Lease liabilities

The following table presents liabilities under leases.

	2021 \$'000	2020 \$'000
		\$'000
Balance at 1 July	41	53
Additions	24	-
Interest expenses	1	1
Payments	(23)	(13)
Balance at 30 June	43	41

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

	2021 \$'000	2020 \$'000
Depreciation expense of right of use assets	22	14
Interest expense on lease liabilities	1	1
Total amount recognised in the statement of comprehensive income	23	15

SMCNSW had total cash outflows for leases of \$22,273 in FY2020-21 (FY2019-20: \$12,593).

Recognition and measurement

SMCNSW assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

SMCNSW recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

i. Right-of-use assets

SMCNSW recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer ii below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

Notes to the financial statements

for the financial year ended 30 June 2021

10. Leases (cont'd)

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and machinery 3 to 5 years

If ownership of the leased asset transfers to the entity at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. SMCNSW assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the entity estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

ii. Lease liabilities

At the commencement date of the lease, SMCNSW recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase options reasonably certain to be exercised by the entity; and
- payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the entity's leases, the lessee's incremental borrowing rate is used, being the rate that SMCNSW would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

b) Entity as a lessor

SMCNSW's properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for the contracts include CPI increases. For one of the arrangements, fees are payable if certain thresholds are achieved or sales completed; a marketing and promotional contribution in the form of catering credits is available; an allowance has been agreed for capital contributions and a discount for staff and functions has been agreed. For another arrangement, a capital contribution has been agreed and a discount for staff has been agreed.

Although the entity is exposed to changes in the residual value at the end of current leases, the entity typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Notes to the financial statements

for the financial year ended 30 June 2021

10. Leases (cont'd)

Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating lease as at 30 June are, as follows:

	2021 \$'000	2020 \$'000
Within one year	446	343
Later than one year and not later than 5 years		
One to two years	457	263
Two to three years	468	268
Three to four years	391	231
Four to five years	181	114
Total (excluding GST)	1,943	1,219

Recognition and measurement - lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income.

11. INTANGIBLE ASSETS

	Software \$'000	Other Categories \$'000	Total \$'000
At 1 July 2019			
Cost (gross carrying amount)	-	1	1
Net carrying amount	-	1	1
Year ended 30 June 2020			
Net carrying amount at beginning of year	-	1	1
Additions from internal development	332	-	332
Amortisation (recognised in depreciation and amortisation)	(63)	-	(63)
Net carrying amount at end of year	270	1	271
At 1 July 2020			
Cost (gross carrying amount)	332	1	333
Accumulated amortisation and impairment	(63)	-	(63)
Net carrying amount	270	1	271
Year ended 30 June 2021			
Net carrying amount at beginning of year	270	1	271
Other movements (transfer to expense)	(270)	-	(270)
Net carrying amount at end of year	-	1	1
At 30 June 2021			
Cost (gross carrying amount)	-	1	1
Net carrying amount	-	1	1

Notes to the financial statements

for the financial year ended 30 June 2021

11. Intangible assets (cont'd)

Recognition and Measurement

SMCNSW recognises intangible assets only if it is probable that future economic benefits will flow to SMCNSW and the cost of the asset can be measured reliably.

Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. If there is no active market for SMCNSW's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

SMCNSW's intangible assets are amortised using the straight-line method over a period of 2 to 5 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

12. CURRENT LIABILITIES – PAYABLES

	2021 \$'000	2020 \$'000
Accrued salaries, wages and on costs	126	34
Creditors	701	455
Accruals	683	884
	1,510	1,373

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 19.

Recognition and measurement

Payables represent liabilities for goods and services provided to the entity and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised net result when the liabilities are derecognised as well as through the amortisation process.

Notes to the financial statements

for the financial year ended 30 June 2021

13. CURRENT/NON CURRENT LIABILITIES – LEASE LIABILITIES

	2021 \$'000	2020 \$'000
Lease liabilities	43	41
Current	19	15
Non Current	24	26
	43	41

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 19.

Recognition and measurement

Details relating to the accounting policies applied to leases of which SMCNSW is lessee are set out in Note 10.

Changes in liabilities arising from financing activities

	Leases \$'000	Total \$'000
At 1 July 2019	-	-
Recognised on adoption of AASB16	53	53
Adjusted 1 July 2019	53	53
Cash flows	(12)	(12)
30 June 2020	41	41
At 1 July 2020	41	41
Cash flows	(23)	(23)
New leases	25	25
30 June 2021	43	43

14. CURRENT / NON CURRENT LIABILITIES – PROVISIONS

	2021 \$'000	2020 \$'000
Employee benefits and related on costs		
Annual leave	892	750
Long service leave	797	652
RDO leave	37	41
	1,726	1,443
Current annual leave obligations expected to be settled after 12 months	516	374
Current long service leave obligations expected to be settled after 12 months	765	620
	1,281	994
Aggregate employee benefits and related on costs		
Provisions – current	1,437	1,225
Provisions – non-current	289	218
Accrued salaries, wages and on costs (Note 12)	126	34
	1,852	1,477

Notes to the financial statements

for the financial year ended 30 June 2021

14. Current/non current liabilities – provisions (cont'd)

Recognition and Measurement

Employee benefits and related on-costs

Salaries and wages, annual leave and sick leave

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits.

Actuarial advice obtained by Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 8.4% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The entity has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where the entity does not expect to settle the liability within 12 months as the entity does not have an unconditional right to defer settlement.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

Long service leave and superannuation

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using the Commonwealth Government bond rate at the reporting date.

Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of workers' compensation insurance premiums and fringe benefits tax.

15. EQUITY

Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the SMCNSW's policy on the revaluation of property, plant and equipment as discussed in Note 9.

Accumulated Funds

The category 'Accumulated Funds' includes all current and prior period retained funds.

16. COMMITMENTS

	2021 \$'000	2020 \$'000
Capital Commitments		
Aggregate capital expenditure for activities of inventory development and asset enhancement (contracted at balance date and not provided for):		
Within one year	11,978	669
Later than one year and not later than five years	-	-
Later than 5 years	-	-
Total (including GST)	11,978	669

Notes to the financial statements

for the financial year ended 30 June 2021

17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	2021 \$'000	2020 \$'000
Bank facilities	-	38
Bank guarantees	-	72
	-	110

Contingent liability

On 15 December 2016, the business entered into a Deed of Agreement with La Perouse Local Aboriginal Land Council and the New South Wales Aboriginal Land Council, the principal obligations being to grant Security Burial Rights, establish an Aboriginal Cemetery and grant Promised Burial Rights. It was envisaged that the obligations would be fulfilled within a three-year period. Delays have been experienced with regards to the rezoning of the area. A variation to the Deed with an extended timeframe has been negotiated and executed on 18 May 2020. The Variation amended the Promised Burial Rights all parties agreeing that it means 125 burial licences, less any Security Burial Rights that have been used by La Perouse LALC in relation to burial places in the Aboriginal Cemetery, to be granted under the Deed. To date, two interments have occurred. 125 Burial Licences have been reserved in the inventory of Eastern Suburbs Memorial Park. This is an interim measure awaiting the fulfillment of the delivery of the intended Aboriginal Cemetery at Bumborah Point. No provision has been made in these financial statements as the Administrator does not consider that there is any probable loss.

18. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2021 \$'000	2020 \$'000
Net cash from operating activities	6,629	5,692
Depreciation and amortisation expense	(2,045)	(1,935)
Decrease/(increase) in provisions	(284)	504
Increase/(decrease) in prepayments and other assets	2,082	(714)
Increase/(decrease) in contract assets	(81)	108
Decrease/(increase) in payables	(89)	(409)
Decrease/(increase) in contract liabilities	(1,099)	(29)
Net gain/(loss) on sale of property, plant and equipment and financial assets	16,187	(7,440)
Net result	21,300	(4,223)

19. FINANCIAL INSTRUMENTS

SMCNSW principal financial instruments are outlined below. These financial instruments arise directly from the SMCNSW's operations or are required to finance the entity's operations. The entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

SMCNSW main risks arising from financial instruments are outlined below, together with SMCNSW objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Administrator has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by SMCNSW to set risk limits and controls and to monitor risks.

Notes to the financial statements

for the financial year ended 30 June 2021

19. Financial instruments (cont'd)

(a) Financial instrument categories

Financial Assets Class	Note	Category	Carrying Amount 2021 \$'000	Carrying Amount 2020 \$'000
Cash and cash equivalents	4	Amortised cost	5,764	3,961
Receivables		Amortised cost	5,211	2,550
Contract assets	6	Fair Value through profit or loss	2,058	2,140
Financial assets at fair value through profit or loss	8	Fair value through profit or loss	114,457	95,472
Financial Liabilities Class	Note	Category	Carrying Amount 2021 \$'000	Carrying Amount 2020 \$'000
Payables		Financial liabilities measured at amortised cost	1,510	1,373
Lease liabilities	13	AASB16 lease liabilities	43	41

SMCNSW determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(b) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if SMCNSW transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- SMCNSW has transferred substantially all the risks and rewards of the asset; or
- SMCNSW has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control.

Where SMCNSW has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of SMCNSW's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(c) Financial risks

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to SMCNSW. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

Credit risk arises from the financial assets of SMCNSW, including cash and receivables. No collateral is held by SMCNSW. SMCNSW has not granted any financial guarantees.

Credit risk associated with SMCNSW financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

SMCNSW considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the entity may also consider a financial asset to be in default when internal or external information indicates that the entity is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the entity.

19. Financial instruments (cont'd)

Cash and cash equivalents

Cash comprises cash on hand and bank balances. Interest is earned on daily bank balances.

Accounting policy for impairment of trade debtors and other financial assets

Collectability of trade debtors is reviewed on an ongoing basis.

SMCNSW applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

Trade debtors are written off when there is no reasonable expectation of recovery.

There was no allowance for expected credit losses for the trade debtors as at 30 June 2021.

SMCNSW is not materially exposed to concentrations of credit risk to a single debtor or group of debtors as at 30 June 2021 and 2020.

(ii) Liquidity risk

Liquidity risk is the risk that SMCNSW will be unable to meet its payment obligations when they fall due. SMCNSW continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of loans and other advances.

During the current and prior year, there were no defaults of borrowings. No assets have been pledged as collateral. The entity's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in TC11-12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

The table below summarises the maturity profile of SMCNSW financial liabilities, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities

	Interest Rate exposure					Maturity Dates		
	Weighted Average Effective Int. Rate \$'000	Nominal Amount ¹ \$'000	Fixed Int. Rate \$'000	Variable Int. Rate \$'000	Non- interest Bearing \$'000	< 1 yr	1 - 5 yrs	> 5 yrs
2021								
Payables	0.0%	1,510	-	-	1,510	1,510	-	-
Lease liabilities	1.32%	43	43	-	-	-	43	-
2020								
Payables	0.0%	1,373	-	-	1,373	1,373	-	-
Lease liabilities	1.32%	41	41	-	-	-	41	-

Notes:

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which SMCNSW can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the statement of financial position.
- (iii) Market risk
- Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of

19. Financial instruments (cont'd)

changes in market prices. SMCNSW exposure to market risk arises primarily through fluctuations in the equity prices of investments (comprising listed shares and managed funds). Further exposure to market risk arises in relation to interest rate risk on SMCNSW bank balances and cash held on deposit for which interest is earned at floating rates and for term deposits.

The effect on profit and equity due to a reasonably possible change in this risk variable is outlined in the information below - for equity price risk and interest rate risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position reporting date. The analysis is performed on the same basis as for 2020. The analysis assumes that all other variables remain constant.

(iv) Equity price risk

Equity price risk is the risk that the market price of investments will fluctuate because of changes in market conditions governing the market prices of investments and managed funds. A reasonably possible change of +/- 4% is used, consistent with current trends in listed equity prices. The basis will be reviewed annually and amended where there is a structural change in the level of equity price volatility.

	2021 -4% \$'000	2021 +4% \$'000	2020 -4% \$'000	2020 +4% \$'000
Net result	(4,254)	4,254	(2,925)	2,925
Equity	(4,254)	4,254	(2,925)	2,925

(v) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through SMCNSW's cash balances. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

	2021 -1% \$'000	2021 +1% \$'000	2020 -1% \$'000	2020 +1% \$'000
Net result	(80)	80	(222)	222
Equity	(80)	80	(222)	222

(d) Fair value measurement

(i) Fair value compared to carrying amount

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments. Investments in equities and managed funds are carried at the fair value provided by quoted market prices.

(ii) Fair value recognised in the Statement of Financial Position

Management assessed that cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments.

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the entity categorises, for disclosure purposes, the

Notes to the financial statements

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19. Financial instruments (cont'd)

valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets / liabilities that the entity can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

The entity recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Financial assets at fair value 2021

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investments in equity	30,582	-	-	30,582
Investments in managed funds	75,773	-	-	75,773
Other	8,100	2	-	8,102
	114,455	2	-	114,457

Financial assets at fair value 2020

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investments in equity	52,978	-	-	52,978
Investments in managed funds	20,152	-	-	20,152
Other	22,340	2	-	22,342
	95,470	2	-	95,472

Of total gains (or losses) included in the net result a gain of \$11.012m (loss of \$882k in FY2020) relates to assets held at the end of the reporting period.

20. RELATED PARTY DISCLOSURE

The compensation provided to the key management personnel of SMCNSW is as follows:

	2021 \$'000	2020 \$'000
Short term employee benefits	1,381	1,272
Post employment benefits	-	-
Other long term employee benefits	156	134
Termination benefits	-	166
	1,537	1,572

During the year, SMCNSW did not enter into transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

21. EVENTS AFTER REPORTING DATE

There are no events subsequent to the balance that affect the financial information disclosed in these financial statements.

